

ANNUITY OPTIONS AND DISPOSITION OF RESIDUE AFTER RETIREMENT

A.C.A. § 24-7-701, A.C.A. § 24-7-706, and A.C.A. § 24-7-709 (as amended
by Acts 385 and 494 of 2005 and Act 97 of 2007)

DEFINITIONS

1. **Annuity Options** - The member's election at retirement of the annuity that shall be paid throughout the retiree's life in accordance with A.C.A. § 24-7-706.
2. **Option Beneficiary** - A person(s) nominated by the retiree by written designation duly executed and filed with ATRS at the time of retirement who, if eligible, will receive annuity payments under the annuity option chosen by the retiree after the retiree's death.
3. **Marriage Dissolution** - A final decree of divorce, separate maintenance, or annulment duly executed by a court of competent jurisdiction and filed of record in the Office of the Ex Officio Recorder.
4. **Person** – An individual, corporation, partnership, or other legal entity.
5. **Residue** – The member's accumulated contributions, including regular interest standing in the member's credit at the time of his/her retirement.
6. **Residue Beneficiary** – A person(s) nominated by the member/retiree to receive the residue, if any, at the termination of any option annuities payable on account of the retiree's death under A.C.A. § 24-7-709.

RULES

Before the date the first payment of an annuity becomes due, a member retiring on age and service or disability may elect to receive an annuity payable as provided in one of the following:

1. **Option 1:** A straight life annuity payable monthly for the life of the retiree. Upon the retiree's death, if the retiree has not received payments equal to the residue amount, the residue remaining, if any, shall be paid to the residue beneficiary. If no residue beneficiaries survive the retiree, the residue will be paid to the retiree's estate.

2. **Effect of Option 1 Retiree's Death Within the First Year of Retirement**

If an Option 1 retiree dies within one year of retirement, his/her spouse may elect to cancel the Option 1 annuity in effect and elect Option A (100% survivor annuity) if:

- A. The spouse otherwise qualifies as an Option A beneficiary;
- B. The spouse is designated as the retiree's residue beneficiary; and
- C. The election form to convert the annuity to Option A is received by ATRS within 120 days of the retiree's death.

The election shall become effective the first day of the month following receipt of the election form by ATRS. If the spouse elects Option A, the residue, if any, will not be paid until the Option A beneficiary's death.

- 3. **Option A:** A 100% survivor annuity paid to the retiree as a reduced annuity monthly for the retiree's life and, upon his/her death, the reduced annuity shall be paid throughout the life of the retiree's Option A beneficiary.
- 4. **Option B:** A 50% survivor annuity paid to the retiree as a reduced annuity monthly for the retiree's life and, upon his/her death, a one-half reduced annuity shall be paid throughout the life of the retiree's Option B beneficiary.

5. **Persons Eligible as Option A or B Beneficiaries**

In order to be nominated as an Option A or B beneficiary, the person must be one of the following:

- A. The retiree's spouse (if the retiree has been married to the spouse for at least one (1) year prior to the first annuity payment being paid to the retiree);
 - B. A person, aged 40 or older, who receives more than one-half support from the retiree for a minimum of one (1) year immediately preceding the first annuity payment being paid to the retiree; or
 - C. A dependent child (regardless of age) who has been ruled physically or mentally incapacitated by a court of competent jurisdiction.
- 6. **Option C:** A reduced annuity payable for 10 years, then as a straight life annuity for the remainder of the retiree's life. If the retiree dies before receiving 120 monthly annuity payments, the annuity shall be continued for the remaining 120 months to the retiree's Option C beneficiary.

- A. If, after retirement, the Option C beneficiary predeceases the retiree, the retiree may either nominate a successor beneficiary or elect an Option 1 annuity. The election will be effective the first day of the month following receipt of the election form by ATRS.
- B. If a retiree receives the one hundred twenty (120) monthly payments under Option C, ATRS will return the retiree to an Option 1 annuity for the remainder of his/her life.
- C. An Option C beneficiary may not nominate a contingent beneficiary should he/she not survive to draw the 120 payments.

7. Payment of Residue Upon Option A, B, or C Retiree's Death

A. Residue Paid if No Option Is Payable

If a retiree who elected Option A, B, or C dies and no option annuity is payable, the residue amount, if any, shall be paid to the member's residue beneficiary on file with ATRS.

If the member's residue beneficiary does not survive or no beneficiary is designated by the retiree at his/her death, the residue, if any, shall be paid to the retiree's estate.

B. Residue Paid Upon Death of Option Annuitant

If after a retiree dies, an option annuity becomes payable, but the option beneficiary dies prior to the retiree and the option beneficiary receiving annuity payments equal to the residue amount, the residue, if any, shall be paid to member's residue beneficiary. If no residue beneficiary is nominated or survives upon the death of the option beneficiary, the residue remaining, if any, shall be paid to the last surviving option beneficiary's estate.

8. Final Benefit Check

Benefits are payable through the month in which the last option beneficiary's death occurs. If the option beneficiary dies prior to receiving the last check, ATRS will pay the final check in the normal manner paid prior to death. If payment of the final check in the normal course becomes impossible, the final option beneficiary's annuity check will be returned to the System.

9. Effect of Qualifying Events on the Retiree's Annuity Options

A. Cessation of Marriage to a Spouse Selected as the Retiree's Option Beneficiary at Retirement

If a retiree receiving an Option A, B, or C annuity ceases to be married to a spouse nominated as his/her option beneficiary at retirement, the retiree may designate an eligible alternate option beneficiary and continue the same option or elect to "pop up" to an Option 1 annuity. The election must be submitted to the System on an approved form. The change shall be effective the month following receipt of the election.

A retiree may cease to be married under this rule by reason of the spouse's death, divorce, or other marriage dissolution.

B. Retiree's Marriage after Retirement

A retiree who is receiving an Option 1 annuity and marries after retirement may cancel the Option 1 annuity and elect Option B providing a 50% survivor annuity for the life of the spouse. The election must be filed with ATRS on an approved form within six (6) months from the date of marriage to be effective.

10. Change of Option Election Allowed Within One (1) Year of Retirement

A member who retires on or after July 1, 1994, may cancel the annuity election made at retirement and elect a different option, provided that:

- A. The election is received by ATRS on an approved form within one (1) year from the date of retirement;
- B. The retiree repays ATRS the difference between the annuity received under the prior option and the annuity elected from the date of retirement, plus regular interest; and
- C. The change of annuity option is made **ONLY ONCE** during the first year of retirement and is effective retroactive to the commencement date of the annuity.

11. Beneficiaries Designated at Retirement

All members who elect Option A, B, or C shall designate, in writing, and file with the System an option beneficiary prior to the receipt of the first retirement annuity check.

12. Option Beneficiaries Prohibited from Nominating Beneficiaries

Option beneficiaries shall not be eligible to nominate a member's residue, lump-sum, or alternate option beneficiaries or otherwise affect the annuity option selected by the member.

13. Annuities Paid Reduce Residue Amount

When a member retires, any amounts paid to the retiree and his/her option beneficiaries as an annuity shall act to reduce or eliminate the disposition of residue that would be payable under A.C.A. § 24-7-709 upon the retiree's death.

14. Eligible Residue Beneficiaries

Any "person" as defined in this policy is eligible to be designated by the member to receive the residue, if any, payable upon the member's death including individuals, trusts, estates, corporations, and other legally recognized entities.

Amended: June 15, 2004
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